

**WALKERVILLE PUBLIC SCHOOLS**  
**WALKERVILLE, MICHIGAN**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2006**

# WALKERVILLE PUBLIC SCHOOLS

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## **INDEPENDENT AUDITORS' REPORT**

October 11, 2006

Members of the Board of Education  
Walkerville Public Schools  
Walkerville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Walkerville Public Schools, Walkerville, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Walkerville Public Schools. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for Walkerville Public Schools as of June 30, 2006, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2006, on our consideration of Walkerville Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Walkerville Public Schools basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non Profit Organizations*, and is also not a required part of the basic financial statements of Walkerville Public Schools. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Orlando Hoefner LLC*

## Management's Discussion and Analysis

As management of Walkerville Public Schools (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- The energy project was completed and final payment made during the year. An energy audit will be conducted in the fall of 2006.
- Lakeview Wilderness closed which will result in the fall 2006 student count being down by 29 students. Teaching staff was let go with the exception of one who filled an open position at the middle school.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., payments on debt).

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, supporting services, community services, food services, athletics and other services. The District does not have any business-type activities.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data for the other five governmental funds, which are considered to be nonmajor, are combined into a single, aggregated presentation. Individual fund information for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general and all special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resource of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for governmental activities in the government-wide financial statements.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information is limited to this management discussion and analysis.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,251,488 at the close of the most recent fiscal year.

A significant portion of the District's net assets reflects unrestricted net assets which are available for future operation while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<b>Governmental Activities</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>
Current and other assets	\$ 849,801	\$ 906,180
Capital assets	4,459,146	4,685,098
<b>Total assets</b>	<b>5,308,947</b>	<b>5,591,278</b>
Other liabilities	438,263	767,844
Long-term liabilities outstanding	2,619,196	2,614,921
<b>Total liabilities</b>	<b>3,057,459</b>	<b>3,382,765</b>
Net assets		
Invested in capital assets, net of related debt	1,918,917	2,014,983
Restricted	79,774	64,389
Unrestricted	252,797	129,141
<b>Total net assets</b>	<b>\$2,251,488</b>	<b>\$2,208,513</b>

Net assets of the District increased by \$42,975. The increase in net assets is primarily due to cost cutting measures which were implemented throughout the year.

	<b>Governmental Activities</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>Revenue</b>		
Program revenue		
Charges for Services	\$ 79,147	\$ 47,032
Operating grants and contributions	1,097,358	1,229,270
Capital grants and contributions	17,896	-
General revenue		
Property taxes – operations	435,494	379,407
Property taxes – debt service	121,614	131,882
Grants and contributions not restricted to specific programs	2,358,525	2,467,690
Unrestricted investment earnings	5,642	6,954
<b>Total revenue</b>	<b>4,115,676</b>	<b>4,262,235</b>
<b>Expenses</b>		
Instruction	2,131,345	2,488,407
Supporting services	1,551,771	1,664,272
Food services	186,693	199,474
Athletics	80,738	86,583
Interest	122,154	115,111
<b>Total expenses</b>	<b>4,072,701</b>	<b>4,553,847</b>
Increase (decrease) in net assets	42,975	(291,612)
<b>Net assets-beginning of year</b>	<b>2,208,513</b>	<b>2,500,125</b>
<b>Net assets end of year</b>	<b>\$2,251,488</b>	<b>\$2,208,513</b>

## **Governmental activities**

During the year the District expended 52% of its total expenses on instruction and 38% on support services such as guidance service, transportation, building operation and maintenance and administration. The remaining 10% of expenses was paid for food service, athletics and interest on long-term debt.

## **Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$438,692, an increase of \$93,108 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved undesignated fund balance of the general fund was \$352,535. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures and transfers out. Undesignated fund balance represents 9.5% of total general fund expenditures and transfers out.

The fund balance of the District's general fund increased by \$82,017 during the current fiscal year.

## **Budgetary Highlights**

Differences between the original and final amended budgets for the general fund are as follows:

- Foundation allowance revenue was reduced due to a lower student count
- At risk revenue increased due to better record maintained for free/reduced
- Title III revenue increased due to availability of carryover funds
- Migrant education revenue and the related compensatory education expenditures increased due to higher count and for the summer grant
- Middle/high school expenditures reduced due to teacher retirements and shifts
- Improvement of instruction expenditures increased due to changing the use of Title II funding from class size reduction to professional development
- Supervision/director of instruction expenditures increased due to changes in Title 1A and 1C and the addition of summer migrant program
- Principals expenditure budget decreased due to changes in paraprofessional classification and school superintendent assuming elementary principal responsibilities
- Operations and maintenance increased due to increased heating costs and a security system
- Transportation budget increased due to higher fuel prices



## Capital Asset and Debt Administration

**Capital assets.** The District's investment in capital assets for its governmental activities as of June 30, 2006, amounted to \$4,459,146 (net of accumulated depreciation).

There were no significant capital purchases during the year

The District's Capital Assets (net of depreciation) are summarized as follows:

	<b>Governmental Activities</b>
Land	\$ 139,874
Construction in progress	-
Buildings, equipment and vehicles	4,319,272
<b>Total</b>	<b><u>\$4,459,146</u></b>

Additional information on the District of the District capital assets can be found in Note 4 of this report.

**Debt.** At the end of the current fiscal year, the District had debt outstanding of \$2,619,196.

The Districts Debt is summarized as follows:

Durant bonds	\$ 52,825
Bonds	2,495,000
Installment notes	124,296
Compensated absences	28,967
Early retirement incentives	50,000
Unamortized bond premium	(131,892)
<b>Total</b>	<b><u>\$2,619,196</u></b>

Additional information on the District's long-term debt can be found in Note 6 of this report.

## Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the District's budget for the 2006-07 fiscal year:

- Headlee override election passed so the District will be able to levy the full 18 mills
- Pupil counts will be down at least 29 due to closing Lakeview Wilderness
- At risk will be decreased due to lower free/reduced count
- Federal funds for Title IID, Title IA, and Title V were reduced
- Decrease in wages due to teacher and staff resignations

## Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Walkerville Public Schools, 180 East Main, Walkerville, Michigan, 49459.

# WALKERVILLE PUBLIC SCHOOLS

## STATEMENT OF NET ASSETS

JUNE 30, 2006

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Cash and investments	\$ 221,265
Due from other governments	625,132
Inventory	3,404
Capital assets, net	
Land	139,874
Buildings, furniture and equipment, and vehicles	<u>4,319,272</u>
<b>Total assets</b>	<u>5,308,947</u>
<b>Liabilities</b>	
Accounts payable	105,791
Accrued payroll	124,731
Fringe benefits payable	153,052
Notes payable	54,689
Noncurrent liabilities	
Due within one year	169,339
Due in more than one year	<u>2,449,857</u>
<b>Total liabilities</b>	<u>3,057,459</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	1,918,917
Restricted for	
Capital projects	29,773
Debt service	47,689
Scholarships	2,312
Unrestricted	<u>252,797</u>
<b>Total net assets</b>	<u><u>\$ 2,251,488</u></u>

The accompanying notes are an integral part of these financial statements.

# WALKERVILLE PUBLIC SCHOOLS

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary government</b>					
Governmental activities					
Instruction	\$ 2,131,345	\$ 34,067	\$ 920,558	\$ -	\$ (1,176,720)
Support services	1,551,771	4,215	19,436	17,896	(1,510,224)
Food services	186,693	19,768	157,364	-	(9,561)
Athletics	80,738	21,096	-	-	(59,642)
Interest on long-term debt	122,154	-	-	-	(122,154)
Total governmental activities	<u>\$ 4,072,701</u>	<u>\$ 79,146</u>	<u>\$ 1,097,358</u>	<u>\$ 17,896</u>	<u>(2,878,301)</u>
General revenues					
Property taxes					
Operating					435,494
Debt					121,614
Unrestricted grants and contributions					2,358,525
Interest earnings					5,643
Total general revenues					<u>2,921,276</u>
Change in net assets					42,975
Net assets, beginning of year					<u>2,208,513</u>
Net assets, end of year					<u>\$ 2,251,488</u>

The accompanying notes are an integral part of these financial statements.

# WALKERVILLE PUBLIC SCHOOLS

## GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2006

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>			
Cash and investments	\$ 151,229	\$ 70,036	\$ 221,265
Due from other funds	44,950	39,892	84,842
Due from other governments	597,005	28,127	625,132
Inventory	-	3,404	3,404
<b>Total assets</b>	<u>\$ 793,184</u>	<u>\$ 141,459</u>	<u>\$ 934,643</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 65,973	\$ 12,664	\$ 78,637
Salaries payable	124,731	-	124,731
Fringe benefits payable	153,052	-	153,052
Due to other funds	39,892	44,950	84,842
Notes payable	54,689	-	54,689
<b>Total liabilities</b>	<u>438,337</u>	<u>57,614</u>	<u>495,951</u>
<b>Fund balances</b>			
Reserved for scholarships	2,312	-	2,312
Unreserved			
Undesignated	352,535	-	352,535
Undesignated reported in nonmajor			
Special revenue funds	-	6,383	6,383
Debt service funds	-	47,689	47,689
Capital projects funds	-	29,773	29,773
<b>Total fund balances</b>	<u>354,847</u>	<u>83,845</u>	<u>438,692</u>
<b>Total liabilities and fund balances</b>	<u>\$ 793,184</u>	<u>\$ 141,459</u>	<u>\$ 934,643</u>

The accompanying notes are an integral part of these financial statements.

# WALKERVILLE PUBLIC SCHOOLS

## **RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS**

**JUNE 30, 2006**

<b>Fund balances - total governmental funds</b>	<b>\$ 438,692</b>
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Amounts reported for *governmental activities* in the statement of net assets are different because

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

Add - capital assets (net)	4,459,146
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Certain liabilities, such as bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - compensated absences and early retirement incentives payable	(78,967)
Deduct - bonds and installment purchases	(2,672,121)
Add - unamortized bond premium	131,892
Deduct - accrued interest on bonds and installment purchases payable	(27,154)

<b>Net assets of governmental activities</b>	<b><u>\$ 2,251,488</u></b>
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The accompanying notes are an integral part of these financial statements.

# WALKERVILLE PUBLIC SCHOOLS

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
<b>Revenues</b>			
Local sources	\$ 498,823	\$ 166,874	\$ 665,697
State sources	2,701,791	18,824	2,720,615
Federal sources	589,257	144,822	734,079
<b>Total revenues</b>	<u>3,789,871</u>	<u>330,520</u>	<u>4,120,391</u>
<b>Expenditures</b>			
Current			
Instruction	2,045,251	-	2,045,251
Support services	1,455,906	-	1,455,906
Food services	-	186,693	186,693
Athletics	-	80,738	80,738
Capital outlay	-	22	22
Debt service			
Principal	-	144,277	144,277
Interest	-	114,396	114,396
<b>Total expenditures</b>	<u>3,501,157</u>	<u>526,126</u>	<u>4,027,283</u>
Revenues over (under) expenditures	<u>288,714</u>	<u>(195,606)</u>	<u>93,108</u>
Other financing sources (uses)			
Transfers in	-	246,129	246,129
Transfers out	(206,697)	(39,432)	(246,129)
Total other financing sources (uses)	<u>(206,697)</u>	<u>206,697</u>	<u>-</u>
Net changes in fund balances	82,017	11,091	93,108
<b>Fund balances, beginning of year</b>	<u>272,830</u>	<u>72,754</u>	<u>345,584</u>
<b>Fund balances, end of year</b>	<u>\$ 354,847</u>	<u>\$ 83,845</u>	<u>\$ 438,692</u>

The accompanying notes are an integral part of these financial statements.

# WALKERVILLE PUBLIC SCHOOLS

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

Net changes in fund balances - total governmental funds	\$ 93,108
Amounts reported for <i>governmental activities</i> in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Deduct - depreciation expense	(225,952)
Repayment of bond or installment purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Add - principal payments on bonds and installment purchases payable	144,277
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Add - decrease in compensated absences and early retirement incentives	39,300
Deduct - amortization of bond premium	<u>(7,758)</u>
Change in net assets of governmental activities	<u>\$ 42,975</u>

The accompanying notes are an integral part of these financial statements.

# WALKERVILLE PUBLIC SCHOOLS

## GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
<b>Revenues</b>				
Local sources	\$ 477,360	\$ 482,601	\$ 498,823	\$ 16,222
State sources	2,777,910	2,717,483	2,701,791	(15,692)
Federal sources	492,158	664,780	589,257	(75,523)
<b>Total revenues</b>	<u>3,747,428</u>	<u>3,864,864</u>	<u>3,789,871</u>	<u>(74,993)</u>
<b>Expenditures</b>				
Current				
Instruction	2,145,387	2,117,989	2,045,251	72,738
Support services	1,439,111	1,541,670	1,455,906	85,764
<b>Total expenditures</b>	<u>3,584,498</u>	<u>3,659,659</u>	<u>3,501,157</u>	<u>158,502</u>
Revenues over (under) expenditures	<u>162,930</u>	<u>205,205</u>	<u>288,714</u>	<u>83,509</u>
Other financing sources (uses)				
Transfers in	15,000	-	-	-
Transfers out	(205,205)	(205,205)	(206,697)	(1,492)
Total other financing sources (uses)	<u>(190,205)</u>	<u>(205,205)</u>	<u>(206,697)</u>	<u>(1,492)</u>
Net changes in fund balance	<u>(27,275)</u>	<u>-</u>	<u>82,017</u>	<u>82,017</u>
<b>Fund balance, beginning of year</b>	<u>272,830</u>	<u>272,830</u>	<u>272,830</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 245,555</u>	<u>\$ 272,830</u>	<u>\$ 354,847</u>	<u>\$ 82,017</u>

The accompanying notes are an integral part of these financial statements.



**WALKERVILLE PUBLIC SCHOOLS**  
**FIDUCIARY FUNDS**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**JUNE 30, 2006**

	<b>Agency Fund</b>
<b>Assets</b>	
Cash and investments	\$ 18,409
<b>Total assets</b>	<u>\$ 18,409</u>
<b>Liabilities</b>	
Due to student groups	\$ 18,409
<b>Total liabilities</b>	<u>\$ 18,409</u>

The accompanying notes are an integral part of these financial statements.

**WALKERVILLE PUBLIC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Walkerville Public Schools, Walkerville, Michigan (the "District") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

***Reporting Entity***

The District is located in the counties of Oceana and Newaygo, Michigan. The District provides education and related services to approximately 400 students in grades kindergarten through 12th and adult education. The District is governed by a seven member School Board elected by District residents and is administered by a superintendent appointed by the School Board.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Walkerville Public Schools. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the District.

***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported in total. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Major governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund.

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Additionally, the District reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* are used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs of governmental funds.

The *Capital Projects Funds* account for the accumulation and disbursement of resources for the construction of capital projects.

The *Fiduciary Fund* is used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments. The District maintains one agency fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resource as they are needed.

***Measurement Focus and Basis of Accounting***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the agency fund, however the agency fund does not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use one year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on long-term debt, compensated absences and early retirement incentives which are recognized when due.

All Governmental Funds are accounted for on a spending or "flow of current financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available, spendable resources".

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Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available, spendable resources" during a period.

***Budgets and Budgetary Accounting***

Comparisons to budget are presented for General and Special Revenue Funds. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the District superintendent submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue funds.
5. Budgets for the General and Special Revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the District are governed by Michigan Law. The appropriation ordinances are based on the projected expenditures budget of the various functions of the District. Any amendment to the original budget must meet the requirements of Michigan Law. The District did amend its budget for the year ended June 30, 2006. Any revisions that alter the total expenditures of any fund must be approved by the School Board.

***Cash and Investments***

Michigan law authorizes the District to invest in:

- a. Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States, or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.

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- b. Certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States or federal agency obligation repurchase agreements, and bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds that are composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

***Due to and Due from Other Funds***

Interfund receivables and payables are short term borrowings that arise from interfund transactions which are recorded by all funds affected in the period in which transactions are executed.

***Inventory***

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Food Service Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time the inventory is consumed.

***Capital Assets***

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

# WALKERVILLE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2006

Depreciation on capital assets, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	10-45
Furniture and equipment	7-35
Vehicles	8

#### ***Long-Term Obligations***

In the government-wide financial statements the long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the year of issuance. The face amount of debt issued and any premiums received are reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

#### ***Compensated Absences and Early Retirement Incentive***

Liabilities related to vested sick pay are not recorded in the fund financial statements but are recorded in the statement of net assets because they are not expected to be liquidated with expendable available financial resources.

Eligible employees are entitled to early retirement incentive upon separation from the District. The accumulated early retirement incentive liability is not recorded in the fund financial statements but is recorded in the statement of net assets because it is not expected to be liquidated with expendable available financial resources.

#### ***Durant Related Issues***

Under Public Act 142 of 1997, enacted in November 1997 as part of the Durant Resolution Package, school districts and intermediate school districts were offered settlement amounts to settle, compromise, and resolve, in their entirety, any potential claims they may have asserted for violations of section 29, Article IX, of the constitution through September 30, 1997, which were similar to the claims asserted by the plaintiffs in the Durant v. State of Michigan case. To be eligible to receive its offer of settlement amount, the non-plaintiff district needed to adopt and submit to the State Treasurer a waiver resolution, in the form set forth in Public Act 142 of 1997, waiving any potential claims through September 30, 1997.

Settlement amounts were based on the formula used to determine amounts owed to Durant plaintiffs. Half the settlement amount was to be received in ten annual payments; the other half was received in a lump sum by participating in a special bonding program offered through the Michigan Municipal Bond Authority (MMBA) or in fifteen annual payments. Walkerville Public Schools elected to participate in the special bonding program.

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Districts electing to bond under the Durant settlement received a lump sum amount (bond proceeds) on November 24, 1998. This created a liability which will be reduced each year with an annual state appropriation made for debt service on the bonds. The annual State of Michigan appropriation is the only revenue source for making the annual debt service payment on the bonds. If the legislature fails to appropriate the funds, the district is under no obligation for payment. Additionally, the bond documentation states specifically that the bonds shall not be in any way a debt or liability of the State of Michigan. This liability has been booked on the statement of net assets. Annual appropriations from the State are recorded in the Debt Service Fund along with the payment of the interest and principal of the bonds.

The original bond proceeds were recorded in the Capital Projects Fund and expended for purposes specified in Section 1351a of the Revised School Code.

The remaining 50% of the settlement which is being received over ten years, beginning April 1999, is recorded in the General Fund as capital grants and transferred to capital projects. Use of these funds is restricted to specified purposes.

***Fund Equity***

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent amounts set aside by the School Board for tentative plans for future use.

***State Aid Revenue***

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by the State of Michigan School Aid Appropriation Act. State funding accounted for 72% of the general fund revenue for the year.

A certain portion of State Aid received by the District is restricted to cover specified expenses of the District, including special education and vocational education costs. The unrestricted portion is for use in the general operations of the District.

***Interfund Transactions***

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

***Risk Management***

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and medical benefits to employees. The District carries commercial insurance for general liability, property and casualty, health claims, and workers compensation. The District has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

# WALKERVILLE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

### 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

State law provides that the District shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the District's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the functional level. The approved budgets of the District for these budgetary funds were adopted at the activity level. During the year ended June 30, 2006, the District incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
<b>General Fund</b>			
Elementary	\$643,783	\$644,677	\$ 894
Pre-school	54,231	54,280	49
Guidance services	99,293	100,663	1,370
Other business services	7,150	14,096	6,946
Community services	1,178	1,392	214
Transfers out	205,205	206,697	1,492
<b>Food Service Fund</b>			
Salaries	51,500	58,547	7,047
Fringe benefits	30,040	31,777	1,737
Food supplies	66,000	87,352	21,352
Contracted services	500	514	14
<b>Athletics Fund</b>			
Fringe benefits	10,510	11,428	918
Dues and fees	7,100	12,746	5,646

### 3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and investments are as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and investments	\$221,265	\$ 18,409	\$239,674

These deposits and investments are in one financial institution located in Michigan. All accounts are in the name of the District and a specific fund or common account. They are recorded in District records at fair value.

#### ***Investment and deposit risk***

***Custodial Credit Risk - Deposits.*** Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. As of year end, \$23,980 of the District's bank balance of \$123,980 was exposed to custodial credit risk because it was uninsured and uncollateralized.



# WALKERVILLE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

*Custodial Credit Risk — Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk which is more restrictive than state law. Of the above cash and cash equivalents, \$128,050 was invested in overnight repurchase agreements which were uninsured, unregistered and held by the District's bank which is also the counterparty for these particular agreements.

### 4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<b>Balance July 1, 2005</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2006</b>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 139,874	\$ -	\$ -	\$ 139,874
Construction in Progress	669,676	-	669,676	-
Total capital assets, not being depreciated	809,550	-	669,676	139,874
<b>Capital assets, being depreciated</b>				
Building and improvements	3,919,059	669,676	-	4,588,735
Furniture and equipment	1,420,643	-	-	1,420,643
Vehicles	429,793	-	-	429,793
Total capital assets, being depreciated	5,769,495	669,676	-	6,439,171
Less accumulated depreciation for				
Building and improvements	840,106	111,929	-	952,035
Furniture and equipment	751,224	66,326	-	817,550
Vehicles	302,617	47,697	-	350,314
Total accumulated depreciation	1,893,947	225,952	-	2,119,899
<b>Net capital assets, being depreciated</b>	<b>3,875,548</b>	<b>443,724</b>	<b>-</b>	<b>4,319,272</b>
<b>Governmental Activities capital assets, net</b>	<b>\$4,685,098</b>	<b>\$ 443,724</b>	<b>\$ 669,676</b>	<b>\$4,459,146</b>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities</b>	
Instruction	\$ 124,274
Supporting services	101,678
<b>Total depreciation expense - governmental activities</b>	<b>\$ 225,952</b>

# **WALKERVILLE PUBLIC SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2006**

### **5. DEFINED BENEFIT PENSION PLAN**

#### ***Plan Description***

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909.

#### ***Funding Policy***

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarially determined contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The contribution rate was 14.87% of annual covered payroll for July through September 2005, and 16.34% for October 2005 through June 2006. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPERS for the years ended June 30, 2006, 2005 and 2004 were \$306,597, \$323,419, and \$284,298, respectively, equal to the required contributions for each year.

#### ***Other Post Employment Benefits***

Retirees have the option of health coverage which is funded on a pay as you go basis by the plan. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension. Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

# WALKERVILLE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2006

#### 6. DEBT

##### Short-term Debt

The following is a summary of short-term debt transactions of the District for the year ended June 30, 2006:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Michigan Municipal Bond Authority note payable in seven monthly payments with final payment due in August 2006	\$55,690	\$416,175	\$417,176	\$54,689

##### Long-term Debt

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2006:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
*\$89,464 Durant School Improvement Bonds; due in annual installments of \$4,697 to \$11,194 through 2013; interest payable at 4.76%	\$ 57,155	\$ -	\$ 4,330	\$ 52,825	\$ 20,693
\$1,865,000 General Obligation Bonds; partially refunded in 2005, due in annual installments of \$40,000 to \$55,000 through 2009; interest payable at 5.2%	190,000	-	40,000	150,000	45,000
\$27,630 Tractor installment purchase; due in annual installments of \$5,526 through 2006; interest payable at 4.40%	\$ 5,526	\$ -	\$ 5,526	\$ -	\$ -
\$36,064 Verizon phone installment purchase; due in annual installments of \$7,213 through 2006; interest payable at 4.10%	7,213	-	7,213	-	-
\$50,247 Bus installment purchase; due in annual installments of \$12,562 through 2006; interest payable at 3.45%	12,562	-	12,562	-	-

# WALKERVILLE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year
\$59,320 Land installment purchase; due in annual installments of \$3,950 through 2017; interest payable at 4.85%	47,400	-	3,950	43,450	3,950
\$40,000 Dell Computer and Software installment purchase; due in annual installments of \$13,000 to \$14,000 through 2008; interest payable at 2.9%	40,000	-	14,000	26,000	13,000
\$56,300 Bus installment purchase; due in annual installments of \$14,075 through 2009; interest payable at 2.55%	56,300	-	14,075	42,225	14,075
\$50,482 Bus installment purchase; due in annual installments of \$12,620 through 2007; interest payable at 2.9%	25,242	-	12,621	12,621	12,621
\$695,000 Energy Conservation Improvement Bonds due in annual installments of \$20,000 to \$55,000 through 2024; interest payable at 4.20% to 4.85%	695,000	-	20,000	675,000	25,000
\$1,680,000 General Obligation Refunding Bonds; due in annual installments of \$10,000 to \$140,000 through 2024; interest payable at 3.00% to 4.30%	1,680,000	-	10,000	1,670,000	10,000
Unamortized premium	(139,650)	-	(7,758)	(131,892)	-
	2,676,748	-	136,519	2,540,229	144,339
Compensated absences	43,267	-	14,300	28,967	-
Early retirement incentives	75,000	-	25,000	50,000	25,000
<b>Total Long-term Debt</b>	<b>\$2,795,015</b>	<b>\$ -</b>	<b>\$175,819</b>	<b>\$2,619,196</b>	<b>\$169,339</b>

\* The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service.

Compensated absences and early retirement incentives are expected to be liquidated with general fund resources.

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Following is a summary of future principal maturities and interest requirements:

	<u>Principal</u>	<u>Interest</u>
2007	\$ 144,339	\$ 117,048
2008	120,778	104,686
2009	118,004	99,544
2010	114,166	94,896
2011	124,413	90,599
2012-2016	671,471	376,840
2017-2021	813,950	221,108
2022-2024	565,000	42,106
<b>Total</b>	<b>\$2,672,121</b>	<b>\$1,146,827</b>

During fiscal year 2005, an advance refunding resulted in a defeasance of bonds. As a result, the trust account assets and the liability for the defeased bonds are not included in the Walkerville Public Schools financial statements. At June 30, 2006, \$1,540,000 of bonds outstanding are considered defeased.

**7. INTERFUND TRANSACTIONS**

Interfund receivables and payables are utilized to facilitate temporary cash flow needs for other funds and are disclosed in the fund financial statements.

Transfers in and out for the year ended June 30, 2006 are as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ -	\$ 206,697
Nonmajor governmental funds		
Food service special revenue	9,740	-
Athletics special revenue	61,815	-
Energy conservation bonds	50,725	-
2005 refunding bonds	39,432	-
Debt service	75,471	39,432
Public improvement	8,946	-
	<b>\$ 246,129</b>	<b>\$ 246,129</b>

Transfers are used to subsidize the other funds.

**8. CONTINGENCIES**

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs maybe questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, management believes such disallowances, if any, will not be material to the financial position of the District.

**WALKERVILLE PUBLIC SCHOOLS**  
***NOTES TO THE FINANCIAL STATEMENTS***  
***FOR THE YEAR ENDED JUNE 30, 2006***

**9. SUBSEQUENT EVENT**

Subsequent to June 30, 2006, the school issued short-term notes through the Michigan Municipal Bond Authority in the amount of \$450,000 to be repaid through August of 2007.

# WALKERVILLE PUBLIC SCHOOLS

## GENERAL FUND SCHEDULE OF REVENUES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Local sources				
Property taxes	\$ 433,110	\$ 438,351	\$ 435,494	\$ (2,857)
Library penal fines	12,000	12,000	15,484	3,484
Interest	2,500	2,500	5,643	3,143
Other	29,750	29,750	42,202	12,452
Total local sources	477,360	482,601	498,823	16,222
State sources				
Foundation allowance	2,433,300	2,350,276	2,336,164	(14,112)
Special education	59,980	62,027	71,031	9,004
At risk	213,380	233,600	232,509	(1,091)
Bilingual education	8,500	8,830	2,349	(6,481)
Michigan school readiness program	52,800	52,800	49,500	(3,300)
Other	9,950	9,950	10,238	288
Total state sources	2,777,910	2,717,483	2,701,791	(15,692)
Federal sources				
Title I	196,820	199,551	194,023	(5,528)
Title II	35,918	34,584	34,584	-
Title III	30,166	53,727	23,710	(30,017)
Title V	7,202	5,889	5,889	-
National Forest	20,000	20,000	22,361	2,361
Migrant education	85,896	203,552	158,209	(45,343)
CSRD grant	100,000	131,865	129,431	(2,434)
Other	16,156	15,612	21,050	5,438
Total federal sources	492,158	664,780	589,257	(75,523)
<b>Total Revenues</b>	<b>\$ 3,747,428</b>	<b>\$ 3,864,864</b>	<b>\$ 3,789,871</b>	<b>\$ (74,993)</b>

# WALKERVILLE PUBLIC SCHOOLS

## GENERAL FUND SCHEDULE OF EXPENDITURES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
Current				
Instruction				
Elementary	\$ 659,761	\$ 643,783	\$ 644,677	\$ (894)
Middle/high school	789,355	681,429	672,947	8,482
Pre-school	49,885	54,231	54,280	(49)
Special education	222,308	224,633	224,248	385
Compensatory education	424,078	513,913	449,099	64,814
Total instruction	2,145,387	2,117,989	2,045,251	72,738
Support services				
Guidance services	99,141	99,293	100,663	(1,370)
Social work services	-	8,280	8,280	-
Improvement of instruction	117,857	177,760	172,547	5,213
Educational media services	32,980	34,735	34,029	706
Supervision/director of instruction	19,777	46,253	38,157	8,096
Student assessment	6,202	750	658	92
Board of education	46,400	56,061	54,611	1,450
Executive administration	163,090	163,140	160,524	2,616
Principals	212,115	165,436	161,525	3,911
Fiscal services	57,690	60,070	59,919	151
Other business services	4,000	7,150	14,096	(6,946)
Operations and maintenance	407,775	430,052	413,043	17,009
Transportation	141,854	171,564	148,306	23,258
Information management	95,370	73,750	69,341	4,409
Pupil accounting	5,220	5,930	3,183	2,747
Community services	500	1,178	1,392	(214)
Other districts	29,140	40,268	15,632	24,636
Total support services	1,439,111	1,541,670	1,455,906	85,764
<b>Total expenditures</b>	<b>\$ 3,584,498</b>	<b>\$ 3,659,659</b>	<b>\$ 3,501,157</b>	<b>\$ 158,502</b>



# WALKERVILLE PUBLIC SCHOOLS

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

JUNE 30, 2006

	<u>Special Revenue</u>		<u>Energy</u>
	<u>Food</u>	<u>Athletics</u>	<u>Conservation</u>
	<u>Service</u>		<u>Bonds</u>
<b>Assets</b>			
Cash and investments	\$ 5,390	\$ 3,997	\$ 1,107
Due from other funds	-	5,600	-
Due from other governments	27,927	200	-
Inventory	3,404	-	-
<b>Total Assets</b>	<b>\$ 36,721</b>	<b>\$ 9,797</b>	<b>\$ 1,107</b>
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 3,669	\$ 3,544	\$ -
Due to other funds	32,662	260	-
<b>Total Liabilities</b>	<b>36,331</b>	<b>3,804</b>	<b>-</b>
<b>Fund balances</b>			
Unreserved			
Undesignated	390	5,993	1,107
<b>Total liabilities and fund balances</b>	<b>\$ 36,721</b>	<b>\$ 9,797</b>	<b>\$ 1,107</b>

<u>Debt Service</u>		<u>Capital Projects</u>			
<u>2005</u>					
<u>Refunding</u>	<u>Debt</u>	<u>Public</u>	<u>Energy</u>		<u>Total</u>
<u>Bonds</u>	<u>Service</u>	<u>Improvement</u>	<u>Conservation</u>		
\$ 40,400	\$ 12,030	\$ -	\$ 7,112	\$	70,036
-	-	20,392	13,900		39,892
-	-	-	-		28,127
-	-	-	-		3,404
<hr/>					
\$ 40,400	\$ 12,030	\$ 20,392	\$ 21,012	\$	141,459

\$ 3,411	\$ 2,040	\$ -	\$ -	\$	12,664
234	163	-	11,631		44,950
<hr/>					
3,645	2,203	-	11,631		57,614
<hr/>					
36,755	9,827	20,392	9,381		83,845
<hr/>					
\$ 40,400	\$ 12,030	\$ 20,392	\$ 21,012	\$	141,459

# WALKERVILLE PUBLIC SCHOOLS

## NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Special Revenue</u>		<u>Energy</u>
	<u>Food</u>	<u>Athletics</u>	<u>Conservation</u>
	<u>Service</u>		<u>Bonds</u>
<b>Revenues</b>			
Local sources	\$ 19,768	\$ 21,096	\$ 8
State sources	12,542	-	-
Federal sources	144,822	-	-
<b>Total revenues</b>	<u>177,132</u>	<u>21,096</u>	<u>8</u>
<b>Expenditures</b>			
Current			
Food services	186,693	-	-
Athletics	-	80,738	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	20,000
Interest	-	-	30,725
<b>Total expenditures</b>	<u>186,693</u>	<u>80,738</u>	<u>50,725</u>
Revenues over (under) expenditures	<u>(9,561)</u>	<u>(59,642)</u>	<u>(50,717)</u>
Other financing sources (uses)			
Transfers in	9,740	61,815	50,725
Transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<u>9,740</u>	<u>61,815</u>	<u>50,725</u>
Net changes in fund balances	179	2,173	8
<b>Fund balances, beginning of year</b>	<u>211</u>	<u>3,820</u>	<u>1,099</u>
<b>Fund balances, end of year</b>	<u>\$ 390</u>	<u>\$ 5,993</u>	<u>\$ 1,107</u>

<u>Debt Service</u>		<u>Capital Projects</u>			<u>Total</u>
<u>2005</u>					
<u>Refunding Bonds</u>	<u>Debt Service</u>	<u>Public Improvement</u>	<u>Energy Conservation</u>		
\$ 73,600	\$ 48,889	\$ 2,500	\$ 1,013	\$	166,874
-	6,282	-	-		18,824
-	-	-	-		144,822
73,600	55,171	2,500	1,013		330,520
-	-	-	-		186,693
-	-	-	-		80,738
-	-	-	22		22
10,000	114,277	-	-		144,277
66,277	17,394	-	-		114,396
76,277	131,671	-	22		526,126
(2,677)	(76,500)	2,500	991		(195,606)
39,432	75,471	8,946	-		246,129
-	(39,432)	-	-		(39,432)
39,432	36,039	8,946	-		206,697
36,755	(40,461)	11,446	991		11,091
-	50,288	8,946	8,390		72,754
\$ 36,755	\$ 9,827	\$ 20,392	\$ 9,381	\$	83,845

# WALKERVILLE PUBLIC SCHOOLS

## FOOD SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
<b>Revenues</b>				
Local sources	\$ 23,000	\$ 23,000	\$ 19,768	\$ (3,232)
State sources	16,000	16,000	12,542	(3,458)
Federal sources	133,000	133,000	144,822	11,822
<b>Total revenues</b>	172,000	172,000	177,132	5,132
<b>Expenditures</b>				
Current				
Salaries	51,500	51,500	58,547	(7,047)
Fringe benefits	30,040	30,040	31,777	(1,737)
Supplies	20,000	20,000	8,503	11,497
Food supplies	66,000	66,000	87,352	(21,352)
Contracted services	500	500	514	(14)
Other	-	-	-	-
<b>Total expenditures</b>	168,040	168,040	186,693	(18,653)
Revenues over (under) expenditures	3,960	3,960	(9,561)	(13,521)
Other financing sources				
Transfers in	-	-	9,740	9,740
Net changes in fund balance	3,960	3,960	179	(3,781)
<b>Fund balance, beginning of year</b>	211	211	211	-
<b>Fund balance, end of year</b>	\$ 4,171	\$ 4,171	\$ 390	\$ (3,781)

# WALKERVILLE PUBLIC SCHOOLS

## ATHLETICS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amount</u></b>	<b><u>Positive (Negative)</u></b>
<b>Revenues</b>				
Local sources				
Tickets	\$ 9,100	\$ 9,100	\$ 17,417	\$ 8,317
Concessions	2,500	2,500	3,119	619
Other	-	-	560	560
<b>Total revenues</b>	<b>11,600</b>	<b>11,600</b>	<b>21,096</b>	<b>9,496</b>
<b>Expenditures</b>				
Current				
Salaries	42,030	42,030	37,302	4,728
Fringe benefits	10,510	10,510	11,428	(918)
Supplies	10,200	10,200	8,172	2,028
Contracted services	11,515	11,515	11,090	425
Dues and fees	7,100	7,100	12,746	(5,646)
<b>Total expenditures</b>	<b>81,355</b>	<b>81,355</b>	<b>80,738</b>	<b>617</b>
Revenues over (under) expenditures	(69,755)	(69,755)	(59,642)	10,113
Other financing sources				
Transfers in	69,755	69,755	61,815	(7,940)
Net changes in fund balance	-	-	2,173	2,173
<b>Fund balance, beginning of year</b>	<b>3,820</b>	<b>3,820</b>	<b>3,820</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 3,820</b>	<b>\$ 3,820</b>	<b>\$ 5,993</b>	<b>\$ 2,173</b>

# WALKERVILLE PUBLIC SCHOOLS

## AGENCY FUND DETAILED SCHEDULE OF ASSETS AND LIABILITIES

JUNE 30, 2006

### Assets

Cash and investments	\$ 18,409
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### Liabilities

Due to student groups	
Art	\$ 1,274
Athletics	1,914
Business	7
Class of 1995	242
Class of 1996	442
Class of 1998	377
Class of 2000	72
Class of 2002	2
Class of 2004	447
Class of 2005	52
Class of 2006	164
Class of 2007	2,237
Class of 2008	6,042
Class of 2009	1,215
Class of 2011	275
Community education	3
French	48
Journalism	37
Girls basketball	612
Media tech	225
Miscellaneous	891
National honor society	26
Wildcat Express store	108
Student council	253
Boys basketball	79
Yearbook	60
Other	1,305

<b>Total liabilities</b>	<b>\$ 18,409</b>
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

October 11, 2006

Members of the Board of Education  
Walkerville Public Schools  
Walkerville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Walkerville Public Schools, Walkerville, Michigan, as of and for the year ended June 30, 2006, which collectively comprise Walkerville Public Schools' basic financial statements and have issued our report thereon dated October 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Walkerville Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Walkerville Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the School Board, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

***Vredeveld Haefner LLC***





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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

October 11, 2006

Members of the Board of Education  
Walkerville Public Schools  
Walkerville, Michigan

**Compliance**

We have audited the compliance of Walkerville Public Schools, Walkerville, Michigan, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The Walkerville Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Walkerville Public Schools' management. Our responsibility is to express an opinion on Walkerville Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Walkerville Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Walkerville Public Schools' compliance with those requirements.

In our opinion, Walkerville Public Schools, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

**Internal Control Over Compliance**

The management of Walkerville Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Walkerville Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the School Board, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Orlando Haefner LLC*

**WALKERVILLE PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (deferred) Revenue July 1, 2005	Cash Received	Expenditures		Accrued (deferred) Revenue June 30, 2006
						(Memo only) Prior Year(s)	Year Ended June 30, 2006	
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I, Part A	84.010	041520 0405	\$ 3,000	\$ 368	\$ 369	\$ 3,000	\$ -	-
Title I, Part A	84.010	051530 0405	158,688	9,188	9,188	158,688	-	-
Title I, Part A	84.010	051530 0506	160,822	-	144,380	-	155,354	10,974
Title I Part D Delinquent	84.010	051700 0405	34,750	3,330	4,879	33,201	1,549	-
Title I Part D Delinquent	84.010	051700 0506	37,120	-	37,120	-	37,120	-
Total			394,380	12,887	195,938	194,889	194,023	10,974
Migrant Education - School Year Migrant								
Migrant Education - Summer Migrant Education	84.011	051890 0506	91,026	-	81,213	-	91,028	9,813
Migrant Education - Summer Migrant Education	84.011	051830 2005	75,738	12,423	60,478	27,983	48,055	-
Migrant Education - Summer Migrant Education	84.011	061830 2006	64,471	-	6,500	-	19,128	12,628
Total			231,235	12,423	148,191	27,983	158,209	22,441
State Plan Self Review SPSR								
Improving Teacher Quality	84.027	060440	3,650	-	1,328	-	2,305	977
Technology Literacy Challenge Grants	84.367	050520 0506	31,583	-	29,393	-	31,583	2,180
Title V	84.318	054290 0405	3,001	-	3,001	-	3,001	-
Title V	84.298	050250 0506	805	-	805	-	805	-
Title V	84.298	060250 0405	6,397	-	-	6,397	-	-
Title V	84.298	060250 0506	5,084	-	5,084	-	5,084	-
Total			12,286	-	5,889	6,397	5,889	-
Comp Sch Reform Demonstration Grant								
Comp Sch Reform Demonstration Grant	84.332	041870 0405	116,570	3,834	38,499	83,705	32,885	-
Comp Sch Reform Demonstration Grant	84.332	051870 0506	98,000	-	81,066	-	96,568	15,500
Total			215,570	3,834	117,565	83,705	129,431	15,500
English Language Acquisition								
English Language Acquisition	84.365	050580 0506	6,468	-	6,468	-	6,468	-
English Language Acquisition	84.365	050580 0405	29,380	15,838	15,838	29,380	-	-
English Language Acquisition	84.365	060580 0506	47,225	-	6,790	-	17,242	10,452
Total			83,073	15,838	29,096	29,380	23,710	10,452
Total passed through Michigan Department of Education								
			974,778	44,782	530,399	342,054	548,151	62,534
Passed through Muskegon ISD								
Drug Free Formula Grant	84.186A	062860	3,787	-	-	-	3,787	3,787
Direct funding								
Rural Education Achievement Program	84.358	2004	7,851	186	-	3,438	4,413	4,599
Rural Education Achievement Program	84.358	2005	11,199	-	-	-	7,877	7,877
Total direct funding			19,050	186	-	3,438	12,290	12,476
TOTAL U.S. DEPARTMENT OF EDUCATION								
			997,615	44,968	530,399	345,492	564,228	78,797

# WALKERVILLE PUBLIC SCHOOLS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (deferred) Revenue July 1, 2005	Cash Received	Expenditures		Accrued (deferred) Revenue June 30, 2006
						(Memo only) Prior Year(s)	Year Ended June 30, 2006	
Department of Homeland Security Passed through Muskegon ISD								
Slate Homeland Security Grant Program	97.004		\$ 2,868	\$ -	\$ 2,868	\$ -	\$ 2,688	\$ -
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Summer Food Meals	10.559	050900	6,705	2,644	6,705	-	4,061	6,373
Summer Food Meals	10.559	501900	6,373	-	-	-	6,373	-
Summer Food Meals	10.559	051900	1,344	-	1,344	-	1,344	-
			14,422	2,644	8,049	-	11,778	6,373
National School Lunch Program								
Breakfast 041970	10.553	051970	1,851	-	1,851	-	1,851	4,770
Breakfast 031970	10.553	061970	35,845	-	31,075	-	35,845	-
			37,696	-	32,928	-	37,986	4,770
Total								
			800	-	800	-	800	-
Sect 4 Lunches	10.555	051950	4,827	-	4,827	-	4,827	-
Sect 11 Free and Reduced	10.555	051960	10,445	-	8,855	-	10,445	1,590
Sect 4 all Lunches	10.555	061950	89,500	-	59,959	-	69,500	9,541
Sect 11 Free and Reduced	10.555	061960	85,172	-	74,041	-	85,172	11,131
Total								
			9,870	-	9,870	-	9,870	-
Food Distribution	10.550		306	-	306	-	306	-
Entitlement	10.550		10,176	-	10,176	-	10,176	-
Bonus Commodities			147,466	2,644	125,192	-	144,822	22,274
TOTAL U.S. DEPARTMENT OF AGRICULTURE								
U.S. Department of Interior								
Passed through Oceana County			22,361	-	22,361	-	22,361	-
National Forest	11.000		22,361	-	22,361	-	22,361	-
TOTAL U.S. DEPARTMENT OF THE INTERIOR								
			\$ 1,170,110	\$ 47,612	\$ 880,620	\$ 345,492	\$ 734,079	\$ 101,071
Total Federal Awards								

### Notes to Schedule of Expenditures of Federal Awards

1. This schedule is presented on the accrual basis of accounting.
2. Expenditures in this schedule are in agreement with amounts reported in the financial statements.
3. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities.
4. The amounts reported on the R7120 (Grants Section Auditor's Report) reconcile with this schedule.
5. Title III funds (CFDA#84.385) in the amount of \$ 15,268 were passed through to Hart Public Schools during the year.

**WALKERVILLE PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued	Unqualified on basic financial statements		
Internal controls over financial reporting			
Material weaknesses identified?	<u>      </u> yes	<u>    X    </u> no	
Reportable conditions identified not considered to be material weaknesses?	<u>      </u> yes	<u>    X    </u> none reported	
Noncompliance material to financial statements noted?	<u>      </u> yes	<u>    X    </u> no	

**Federal Awards**

Internal control over major programs			
Material weaknesses identified?	<u>      </u> yes	<u>    X    </u> no	
Reportable conditions identified not considered to be material weaknesses?	<u>      </u> yes	<u>    X    </u> none reported	
Type of auditors' report issued on compliance for major programs	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, section 510(a)?	<u>      </u> yes	<u>    X    </u> no	

**Identification of Major Programs**

CFDA Number(s)

84.010

Name of Federal Program or Cluster

Title I

Dollar threshold used to distinguish between Type A and B programs?

    \$300,000    

Auditee qualified as low-risk auditee?

    X     yes        no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None noted

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS**

Finding 2005-1

This finding has been resolved.



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October 11, 2006

To the Members of the Board of Education  
Walkerville Public Schools  
Walkerville, Michigan

We have audited the financial statements of Walkerville Public Schools, Michigan, for the year ended June 30, 2006, and have issued our report thereon dated October 11, 2006. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated July 31, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Walkerville Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Walkerville Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Walkerville Public Schools' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Walkerville Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Walkerville Public Schools' compliance with those requirements.

### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Walkerville Public Schools are described in Note 1 to the financial statements. No new

accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Walkerville Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the useful lives of capital assets.

Management's estimate of the useful lives of capital assets is based on historical experience of Walkerville Public Schools. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

#### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Walkerville Public Schools' financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Walkerville Public Schools, either individually or in the aggregate, indicate matters that could have a significant effect on the Walkerville Public Schools' financial reporting process.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Walkerville Public Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Members of the Board of Education and management of Walkerville Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Orlando Haefner LLC*